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SUBJECT: CANADIAN DISAPPOINTMENT OVER SUSPENSION OF WTO
DOHA TRADE ROUND TALKS

REF: A. STATE 120938

[1](#)B. 05 OTTAWA 3747 (NOTAL)

[1](#)1. (U) Summary: Shortly after the WTO announcement that the Doha Trade Round negotiations would be suspended indefinitely, Canada's International Trade Minister Emerson and Agriculture Minister Strahl issued a statement expressing their "disappointment." Emerson said that Canadian farmers as well as manufacturers and service providers would have benefited from the expanded market access that the Doha negotiations aimed to achieve. Strahl saw the suspension as a "serious setback," but reiterated that Canada remains committed to advance the interests of its supply-managed and export-oriented agricultural industries. Since the WTO talks have stalled, Canada will ramp up its efforts to conclude regional and bilateral trade agreements. End Summary.

[1](#)2. (U) On July 24, International Trade Minister David Emerson and Agriculture Minister Chuck Strahl jointly expressed their disappointment following WTO Director-General Pascal Lamy's announcement earlier in the day that the latest round of WTO negotiations -- the Doha Development Agenda -- has been suspended until further notice. "Despite enormous efforts by all WTO members and 11th-hour meetings between G6 participants, the gaps in negotiating positions proved to be too large to bridge within the current time frame," said Minister Emerson. "This is very disappointing for Canada and for all developed and developing countries, given the significant economic benefits that could have been achieved through an ambitious outcome for these negotiations. He noted that "Canadian agricultural producers and processors, as well as other manufacturers and service providers, would benefit from the expanded market access that the Doha Round was aiming to achieve. We are a nation that depends heavily on international commerce, and our government will continue to focus on more liberalized trade, the rules-based multilateral trading system and the objectives behind Doha negotiations."

[1](#)3. (U) Agriculture Minister Strahl described the negotiations suspension as "a serious setback," but added that "Canada remains committed to pursuing opportunities and seeking a fairer international trading environment for our agricultural producers and processors. We will continue to advance the interests of Canada's agricultural sector, including both supply-managed and exported-oriented industries."

[1](#)4. (U) As one of the most trade dependent countries in the world, Canada is deeply committed to the WTO, an organization

which Minister Emerson has called "critically important to Canada" because it is "a truly international framework, which makes it very different -- more stable, more predictable and more reliable, and a better friend of smaller countries."

15. (U) Canada's main goal in the Doha Round has been to defend its controversial supply management system for eggs, chicken, milk and cheese, while trying to persuade other nations to reduce their barriers to allow for greater Canadian exports of grain, beef, and oilseeds which face depressed global prices because of foreign farm subsidies. But Strahl conceded in a late June meeting of his provincial and territorial counterparts that it might be difficult to strike a balance between protecting a system management system which "has worked well for Canada," and obtaining greater market access in other sectors.

16. (U) Significantly, the July 24 statement said that "Canada will also continue to pursue regional and bilateral trade initiatives that serve its future commercial interests." In a speech last month Trade Minister Emerson signaled that Canada would ramp up its bilateral trade deal negotiations even if the WTO talks stalled, noting that Canada has signed only one such deal in the last five years (Costa Rica) while the U.S. has approved seven agreements with 12 countries since 2001. The Minister said that "Canada is the only major trading nation that has not negotiated a single free trade agreement in the past five years. A pact with Costa Rica signed three administrations and two Prime Ministers ago does not suggest that we are globally engaged as a trading nation. Consequently, ... we are falling behind Australia, Mexico and particularly the United States in terms of bilateral trade agreements. This will eventually hurt our export industries, who will find themselves discriminated against in third-country markets."

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17. (U) In recent years, Canada has worked periodically on bilateral or regional trade agreements with Singapore, the Andean countries, FTAA, EFTA, CARICOM, the Central American Four (El Salvador, Guatemala, Honduras, and Nicaragua), the Dominican Republic and South Korea (with whom Ottawa will conduct a sixth round of trade talks in August). It is worth noting, however, that about 80 percent of Canada's exports go to the United States, with whom it already has NAFTA. Therefore, any additional free trade agreements that Canada might negotiate would give it only marginal trade gains, but the new GOC mantra is to produce more FTAs.

18. (U) Initial press reaction featured expressions of disappointment from farm producers. Ontario farmers, who had long tried to get the USG to reduce subsidies to its grain producers, saw their hopes dashed. "We are disappointed the talks have dissolved," said an official of the Ontario Corn Producers' Association. Ontario corn growers must compete with their American counterparts who are guaranteed minimum prices, resulting in bumper crops flooding the market and pulling down world prices, he observed. However, other countries came in for criticism, too. An Ottawa-based international trade consultant noted that Ontario farmers had also sought better access to Japanese and European markets, especially in pork, bean, and soybeans. He said that Canadian farmers had been promised by the EU in prior trade negotiations to get access to 5 per cent of the market in beef and pork: "Instead, they gave us two-tenths of one per cent and they even tried to rig that." On the other hand, a professor at the University of Toronto opined that Ontario dairy and poultry producers, who benefit from a supply management system of quotas, may be somewhat relieved that the WTO talks have been scuttled. The U.S. has long been demanding that Canada modify its system of supply management, and any trade deal could have forced some compromises on that front. The professor argued that Canadian supply management is more about guaranteeing Canadian farm incomes since not many countries besides the U.S. are interested in sending

Canada dairy or poultry products: "The American and EU subsidies are really the issue. The Canadian ones are pretty minor."

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